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*** START OF THE PROJECT GUTENBERG EBOOK ENDING THE DEPRESSION THROUGH PLANNED OBSOLESCENCE ***

LONDON, Bernard.
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through planned obsolescence

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Ending the Depression Through Planned Obsolescence

By Bernard London

FRANK A. VANDERLIP, former President of the National City Bank, of New York, characterized this as a stupid depression. He emphasized the fact that millions were suffering amidst glutted markets and surpluses.

The new paradox of plenty constitutes a challenge to revolutionize our economic thinking. Classical economics was predicated on the belief that nature was niggardly and that the human race was constantly confronted by the spectre of shortages. The economist Malthus writing in 1798 warned that the race would be impoverished by an increase in population which he predicted would greatly exceed gains in the production of foodstuffs.

However, modern technology and the whole adventure of applying creative science to business have so tremendously increased the productivity of our factories and our fields that the essential economic problem has become one of organizing buyers rather than of stimulating producers. The essential and bitter irony of the present depression lies in the fact that millions of persons are deprived of a satisfactory standard of living at a time when the granaries and warehouses of the world are overstuffed with surplus supplies, which have so broken the price level as to make new production unattractive and unprofitable.

Primarily, this country and other countries are suffering from disturbed human relationships.

Factories, warehouses, and fields are still intact and are ready to produce in unlimited quantities, but the urge to go ahead has been paralyzed by a decline in buying power. The existing troubles are man-made, and the remedies must be man-conceived and man-executed.

In the present inadequate economic organization of society, far too much is staked on the unpredictable whims and caprices of the consumer. Changing habits of consumption have destroyed property values and opportunities for employment. The welfare of society has been left to pure chance and accident.

In a word, people generally, in a frightened and hysterical mood, are using everything that they own longer than was their custom before the depression. In the earlier period of prosperity, the American people did not wait until the last possible bit of use had been extracted from every commodity. They replaced old articles with new for reasons of fashion and up-to-dateness. They gave up old homes and old automobiles long before they were worn out, merely because they were obsolete. All business, transportation, and labor had adjusted themselves to the prevailing habits of the American people. Perhaps, prior to the panic, people were too extravagant; if so, they have now gone to the other extreme and have become retrenchment-mad.

People everywhere are today disobeying the law of obsolescence. They are using their

old cars, their old tires, their old radios and their old clothing much longer than statisticians had expected on the basis of earlier experience.

The question before the American people is whether they want to risk their future on such continued planless, haphazard, fickle attitudes of owners of ships and shoes and sealing wax.

What the people can afford is very different at a time when the majority are gainfully employed than it is in a period when perhaps ten million are without gainful employment. The job of modern management is to balance production with consumption —to enable one large group, like the factory workers in the cities, to exchange the products of their hours of labor for the output of farmers. The prevailing defeatist assumption that depression and unemployment must continue because we have too much of everything, is the counsel of despair.

Society is suffering untold loss in foregoing the workpower of ten million human beings. The present deadlock is the inevitable result of traveling along blind alleys. Chaos must unavoidably flow from an unplanned economic existence.

In the future, we must not only plan what we shall do, but we should also apply management and planning to undoing the obsolete jobs of the past. This thought constitutes the essence of my plan for ending the depression and for restoring affluence and a better standard of living to the average man.

My proposal would put the entire country on the road to recovery, and eventually restore normal employment conditions and sound prosperity. My suggested remedy would provide a permanent source of income for the Federal Government and would relieve it for all time of the difficulties of balancing its budget.

Briefly stated, the essence of my plan for accomplishing these much-to-be-desired ends is to chart the obsolescence of *capital* and consumption goods at the time of their production.

I would have the Government assign a lease of life to shoes and homes and machines, to all products of manufacture, mining and agriculture, when they are first created, and they would be sold and used with the term of their existence definitely known by the consumer. After the allotted time had expired, these things would be legally “dead” and would be controlled by the duly appointed governmental agency and destroyed if there is widespread unemployment. New products would constantly be pouring forth from the factories and marketplaces, to take the place of the obsolete, and the wheels of industry would be kept going and employment regularized and assured for the masses.

I am not advocating the *total destruction* of anything, with the exception of such things as are outworn and useless. To start business going and employ people in the manufacture of things, it would be necessary to destroy such things in the beginning—but for the first time only. After the first sweeping up process necessary to clean away obsolete products in use today, the system would work smoothly in the future, without loss or harm to anybody. Wouldn’t it be profitable to spend a sum of—say—two billion dollars to buy up, immediately, obsolete and useless buildings, machinery, automobiles and other outworn junk, and in their place create from twenty to thirty billion dollars worth of work in the construction field and in the factory? Such a process would put the

entire country on the road to recovery and eventually would restore normal employment and business prosperity.

An equally important advantage of a system of planned obsolescence would be its function in providing a new reservoir from which to draw income for the operation of the Government. The actual mechanism involved would be briefly something like this:

The people would turn in their used and obsolete goods to certain governmental agencies, situated at strategic locations for the convenience of the public. The individual surrendering, for example, a set of old dining room furniture, would receive from the Comptroller or Inspector of such a Station or Bureau, a receipt indicating the nature of the goods turned in, the date, and the possible value of the furniture (which is to be paid to him in the future by the Government). This receipt would be stamped in a receipt book with a number, which the individual would have received when he first brought in an obsolete article to be destroyed. Receipts so issued would be partially equivalent to money in the purchase of new goods by the individual, in that they would be acceptable to the Government in payment of the sales tax which would be levied as part of my plan.

For example, a consumer purchasing a $100 radio, on which the sales tax is 10 per cent or $10, the purchaser would pay cash for the radio, but could offer $10 worth of receipts for obsolete merchandise turned in, in payment of the sales tax. The merchant or manufacturer would have to accept these receipts for this purpose, and would turn them back to the Government in payment of the sales tax, which must be borne ultimately by the consumer in any event.

Under this system, the purchaser would feel he had been paid for the used-up article which he turned in to the Government, yet the Government would not have had to pay a cent of cash for the goods so surrendered. As a result of the process, nevertheless, the wheels of industry would be greased, and factories would be kept busy supplying new goods, while employment would be maintained at a higher level.

I maintain that taxes should be levied on the people who are retarding progress and preventing business from functioning normally, rather than as at present on those who are cooperating and promoting progress. Therefore I propose that when a person continues to possess and use old clothing, automobiles and buildings, after they have passed their obsolescence date, as determined at the time they were created, he should be taxed for such continued use of what is legally “dead.” He could not deny that he does not possess such goods, as he might hide his income to avoid paying an income tax, because they are material things, with their date of manufacture known. Today we penalize by taxation persons who spend their money to purchase commodities, which are necessary in order to create business. Would it not be far more desirable to tax instead the man who is hoarding his money and keeping old and useless things? We should tax the man who holds old things for a longer time than originally allotted.

Under the present estate and inheritance tax system, the State has to wait an indefinite period, and allow the owner of a building or commodity to keep on earning and adding more to his fortune until he dies, before it can collect its inheritance tax. With obsolescence of merchandise computed in advance, the Government will collect when the article dies, instead of when its owner dies.

Moreover, the present method of collecting revenue under the income tax is

speculative and uncertain, because the profits of industry and business, upon which the income tax is based, are subject to vast fluctuations.

If the plan I propose is adopted, there will be a source of *permanent income* to the State from goods and merchandise in existence, and which are bound to continue to exist. Through a process of checking control of what the manufacturer sells to the dealer, and through reports by retailers of what they sell to the consumers, the Government will know by the end of the year just what income it will be sure of getting, and this amount it will be paid irrespective of whether people are making big profits or not.

My plan would rectify the fundamental inequalities of our present economic system, in which we follow a hit-or-miss method, one getting much more than he needs or can use, and another less or nothing. We should learn to use our material resources so that all can partake of them, yet so that none will be any poorer or worse off than today.

In our present haphazard organization, the product of the worker's toil continues to benefit and produce income for its owner long after the one whose sweat created it has spent and exhausted the meagre compensation he received for his labor.

The worker's wages are exhausted in a week or a month in the purchase of food, clothing and shelter. He has for himself little that is permanent to show for his hours of toil, whereas the owner of the building or machine which the worker's labor helped to construct has a unit of capital goods which will last for years or even decades. The man who performed the work received as compensation only enough to purchase comfort and sustenance for a short time, and he must continue to labor if he wishes to go on living. The product of the worker's hand, however, is a semi-permanent thing and produces income for its owner for an indefinite period of years. In the end, not only is the original cost of production repaid and interest yield on the investment, but far more besides. This very lasting quality of the product of the worker's toil results to his disadvantage, for a time comes such as we are passing through today, when there is an excess of capital goods and the worker is told: "We have enough production of wealth; we are going to use up what we have and need no more for the present. You laborer, go and find work elsewhere. We do not need you now."

And so the worker, whose sweat wrought this vast store of material goods, suffers from poverty and want, while the country is glutted with everything. My plan would correct this obviously inequitable situation by arbitrarily limiting the return to capital, to a stipulated period of years, after which the benefits would revert to the people.

The situation in which the country now finds itself, in which there is poverty amidst plenty, is well illustrated by the analogy of a great giant standing in a pool of fresh water up to his lips, yet crying out that he is thirsty because he is paralyzed and cannot stoop to drink. His muscles must be enabled to relax, for him to bend down in order that he may quench his thirst. So, too, the paralysis which prevents our economic society from consuming the abundant supplies of raw materials and manufactured commodities which glut our markets must be cured before normal conditions can be restored.

Furniture and clothing and other commodities should have a span of life, just as humans have. When used for their allotted time, they should be retired, and replaced by fresh merchandise. It should be the duty of the State as the regulator of business to see that the system functions smoothly, deciding matters for capital and labor and seeing that

everybody is sufficiently employed. The Government will have the power to extend the life of articles for a year or two (upon agreed terms), if they are still useable after their allotted time has expired and if employment can be maintained at a high peak without their replacement.

If a machine has been functioning steadily for five years or so, it can fairly be considered dead—dead to the one who paid his money for it—because he has had all the use of it during those five years and it will have paid for its life by its earnings in the five-year period. Then it should go to the workmen, through the State; its life can be prolonged if the factories are already busy and there are no unemployed. But if by its replacement idle workers can be given jobs and closed factories reopened, then this machine should be destroyed and new (and probably improved) apparatus produced in its place.

The original span of life of a commodity would be determined by competent engineers, economists and mathematicians, specialists in their fields, on behalf of the Government.

In the course of 30 years under this arrangement, most construction and production would undergo a fundamental change for the better, as old, dilapidated and obsolete buildings and machines disappeared and new ones appeared in their place.

During this period some manufactured commodities would have been destroyed and replaced 15 times, others 10 times, still others 5 times, etc., depending on the span of life allotted to each, in order for it to earn sufficient for its purpose before it dies. We must work on the principle of nature, which creates and destroys, and carries the process of elimination and replacement through the ages. There would be no overproduction, were this method adopted, for production and consumption would be regularized and adjusted to each other, and it would no longer be necessary to send our surplus goods to find outlet in foreign markets. We would not then, as we do today, have to sell these goods on credit and later have to beg for our money, which in the long run foreign nations do not want to repay anyway.

In the description of things under the present organization of society, we continually make use of a system of weights and measures. Thus, a commodity is evaluated in terms of size—shape, weight, value, etc. The weights and measures we use are standardized and regulated by the Government so that they may not be violated. But, though we may not realize it, this system is incomplete because in the description of things it omits consideration of two elements which are equal in importance to those in everyday use in determining real values. These are *life* and *time*, life with respect to the commodity produced, and time, the period it should last.

If we add the elements of life and time to our measurement of what we produce, and say that the life of this automobile shall be not more than 5 years, or the life of this building shall last not more than 25 years, then, with the addition of our customary measurement of these commodities, we will have a really complete description of them right from the beginning. And, when capital purchases the automobile or the building, it will be doing so only for that limited period of years, after which the remaining value left in the product will revert to labor, which produced it in the first place, and which thus will receive its rightful share in the end, even if it did not do so in the beginning.

Miracles do not happen. They must be planned in order to occur. Similarly in this time

of economic crisis, we must work out our own salvation.

If we can afford to sink ships, that cost millions of dollars to construct, merely for the purpose of giving target practice to the gunner, then surely we can afford to destroy other obsolete and useless products in order to give work to millions and pull the country out of the dire catastrophe in which it is now wallowing.

At the present time our country has plenty of everything, yet people are in want because of a breakdown in distribution, an inadequate division of the fruits of labor. Worn-out automobiles, radios and hundreds of other items, which would long ago have been discarded and replaced in more normal times, are being made to last another season or two or three, because the public is afraid or has not the funds to buy now. The Government should be enabled to advance a sum of money to certain Trust Agencies to purchase part of these obsolete buildings and machines and clothing. They should be thrown into a junk pile, and money lent toward creating new buildings, machines and commodities.

The State can lend money for the erection of new buildings at an interest rate of no more than 2½ or 3 per cent. Suppose, though, that new builders or owners of the buildings pay 5 or 5½ per cent interest. Two and a half per cent of this would go to the Government as interest and 2½ or 3 per cent for amortization or to a sinking fund, out of which to pay back for the construction of the building within 25 or 30 years, computed on a basis of compound interest. At that time, the building can be destroyed and a new one erected, with resultant stimulus to employment. The original building in the intervening years would have served its purpose and fairly repaid its owner.

Capital should be willing to invest its wealth on a 2½ or 3 per cent interest basis under such circumstances, because the investment will be safe, steady and permanent. In the present economic chaos, investments at great interest rates are in jeopardy and, while at present lenders are getting large returns for their money, their capital is in constant danger of being wiped out altogether.

The tax-collecting machinery at present used by the Government could readily be converted into the media for carrying into operation the system here proposed. It could be used with the same force and effect, and new laws passed concerning everything produced, just as our present excise and tariff laws cover in their fixing of rates thousands of individual items and categories. Such a means of solving our economic problem could be brought into operation quickly and in a few months the machinery of administration perfected so that thousands of people could be put back to work within a comparatively short time.

If this plan were in operation, speculators would not acquire fortunes simply by manipulating and creating false values or synthetic wealth. If it were decreed that the life of wheat were to be no more than two years, for example, no man would buy the grain solely for speculation, thus creating an artificial market and holding a club over the farmer’s head, as today. He would not dare because he would know that he would have to pay the Government a tax on the wheat after it had lived its legal life and this would make it unprofitable or at least highly dangerous to buy speculatively and hold for the future.

The widespread suffering from unemployment and want in this country today is a

symptom of a fundamental maladjustment—a sickness, if you like, in our body economic. Almost every sickness can be cured, provided we get the right doctor to diagnose the case and prescribe the proper medicine, but the patient must take the medicine in order to get well. My plan is in essence a prescription for the relief and cure of the ailments from which our economic organization is today suffering.

Of course, the inauguration of such a system of planned obsolescence will be opposed by many merely because it is new, for it is hard for us to abandon our old notions and adjust ourselves to a new way of thinking. Unlike most changes for the good of the masses, however, this scheme need not involve much hardship, strife or suffering. That is not necessary. With a reasonable amount of common sense used, the plan ought gradually to work smoothly without much loss to anybody. In war-time we conscript the flower of our country's manhood, and send them to the front to fight and often be destroyed. If such drastic procedure is deemed wise and necessary in the crisis of war, would it not be far more logical and profitable in our present emergency to conscript the dead things—material, not human—such as obsolete buildings, machinery and outmoded commodities, and send them to the front to be destroyed in the war against depression, thus saving the country from economic chaos by providing work?

It is far cheaper to destroy useless and obsolete goods now, and perhaps some of our synthetic wealth as well, than to risk destroying far more priceless assets, such as human life, and undermining the health and confidence of the people, by continuing to fight the depression with our old, slow and costly methods.

Even in the present organization of our economic society, we recognize in many instances the necessity of destroying some of our wealth in order to increase it. For example, coal is wealth, but it is burned up and destroyed daily in locomotives, furnaces and other devices in order to create power to drive machinery and manufacture goods. Similarly, oil is wealth, but to serve its purpose it must be used and consumed in the engines of automobiles and the whirring wheels of factories. Grain is wealth, but we destroy it by feeding it to cattle, by consuming it ourselves, and by scattering it on the ground as seed to produce more grain. It is by this process that people live, function and create material goods.

Wealth may be compared to our language. Although we use our language every day, it does not get used up. On the contrary, new words and idioms are constantly being added to the national vocabulary, and the language increases in usefulness the more it is spoken, instead of deteriorating.

In olden times, only a few chosen ones, such as kings and priests and nobles, could read and write. The rest of the people were kept in ignorance and poverty. Today, with our standardized and simplified grammar and our mass education, the benefits of literacy are available to everybody, to rich and poor alike.

Such a condition should exist also with respect to the enjoyment of wealth. A minimum standard should be created for everyone, and rich and poor, old and young should participate in its benefits, and profit from its use and management.

Our economic society has advanced little from Medieval times in the distribution of our wealth. We still continue on the basis of our old theories and notions that only the chosen ones should enjoy it.

There is as much wealth in existence as there is time, but people do not visualize it. Wealth, like food, must be digested for human beings to be able to live, function and create—in other words, to produce more wealth. If we want to acquire new wealth, the supply lines must be drained so that fresh commodities can come in. If there are stale goods left in the lines, the fresh supply must force them out.

The cause of our present stagnation is that the supply line or arteries furnishing the needs of the country are clogged with obsolete, outworn and outmoded machinery, buildings and commodities of all kinds. These are obstructing the avenues of commerce and industry and are preventing new products from coming through. There is little demand for new goods when people make their old and worn-out things do, by keeping them longer than they should.

We need to apply better managerial foresight to public affairs. I contend that any business or corporation, public or private, which operates and expects to get an income of several billions of dollars a year from its operations, deserves much attention, and requires thoughtful planning, in order to perfect the machinery of its organization. The aim should be to make it function smoothly in order to satisfy the self-supporting multitudes, by providing them with regular employment at a living wage which will assure the American standard of living.

Such a socially responsible system, which is anxious for the well-being of all of its citizens, is on a vastly sounder and more permanent basis than one which allows business merely to take out profits without improving the organization with new methods and without renewing the equipment.

I maintain that with wealth should go responsibility. Too many nowadays regard wealth as a license to freedom and immunity from obligation to the people. Such irresponsible possessors of wealth are shirkers, who tend to make all of us poorer.

Summarizing the benefits which would accrue to this nation and to the world at large if my plan were adopted and put into effect, it would:

1. Bring order out of the chaos now disrupting the whole economic and social organization.

2. Organize and regularize opportunities for employment.

3. Obviate the tremendous social waste of making no use of the workpower of millions of men and women (who are compelled to stay idle). In this connection, it is significant to note that “the cost of the present depression will very probably exceed 50 billions of dollars” (a staggering amount), according to Malcolm C. Rorty, business executive and statistician, writing in a recent issue of the *Harvard Business Review*.

4. My plan would take Government finances out of their present speculative status and would put Government income on a more stable basis, by receiving annually at least between 25 and 50 per cent of the net income of all the buildings, machinery and other commodities which have been declared obsolete after their allotted time, and nevertheless allowed to function longer in the event there is ample employment.

Transcriber's Notes

- pg 11 Changed: their alloted time has expired
  to: their allotted time has expired
- pg 19 Changed: for the wellbeing of all
  to: for the well-being of all

*** END OF THE PROJECT GUTENBERG EBOOK ENDING THE DEPRESSION THROUGH PLANNED OBSOLESCENCE ***

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